

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2002-145

June 11, 2002

SACO RIVER TELEPHONE COMPANY  
AND PINE TREE TELEPHONE COMPANY, Request for  
Approval of Reorganization With Regard to Country  
Road Communications

**REVISED  
STIPULATION**

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The Pine Tree Telephone and Telegraph Company ("Pine Tree"), Saco River Telegraph and Telephone Company ("Saco River") and the Office of the Public Advocate, collectively the "Parties," hereby agree and stipulate as follows:

***I. PURPOSE***

The purpose of this Stipulation is to settle all issues, to avoid the necessity for a hearing and to expedite the Commission's consideration and resolution of this proceeding. The agreements contained herein are made on the basis of the information provided by the Applicants in the Application for Approval, in response to requests for further information and in discussions with the Commission's Advisory Staff and Public Advocate.

***II. PROCEDURAL HISTORY AND BACKGROUND***

On March 12, 2002, Pine Tree and Saco River, the "Applicants," submitted an Application for issuance of a Commission order granting the required approvals with regard to certain transactions described in the Application. These transactions involve the conversion of Country Road Communications, Inc. ("CRC"), the parent company of the Applicants, from a corporation to a limited liability company, and the simultaneous investment of new equity in CRC by investment funds managed by ABRY Partners, LLC ("ABRY Partners").

## **A. Description of the Parties to the Transactions**

1. Pine Tree. Pine Tree is a telephone utility, as defined in 35-A M.R.S.A. §102, which is subject to the jurisdiction of the Commission, and is authorized to provide and is providing services as an incumbent local exchange carrier (“ILEC”) and an interexchange carrier (“IXC”) to customers in Gray, New Gloucester and parts of North Yarmouth, Poland, Durham, Pownal and Auburn, Maine. Pine Tree is a wholly owned subsidiary of Pine Tree Holdings, Inc. (“PTHI”), which is a wholly owned subsidiary of CRC pursuant to transactions approved by the Commission in The Pine Tree Telephone and Telegraph Company, Request for Approval of Reorganization and for Exemption from Approval for Certain Future Reorganizations, Docket No. 99-381, Order Approving Reorganization (December 23, 1999) and Supplemental Order (December 30, 1999), in which the Commission approved the acquisition of Pine Tree by CRC; and The Pine Tree Telephone and Telegraph Company, Request for Approval of Reorganization, Docket No. 2000-667, Order Approving Reorganization (November 8, 2000), in which the Commission approved the creation of PTHI as an intermediate holding company between CRC and Pine Tree.

2. Saco River. Saco River is a telephone utility, as defined in 35-A M.R.S.A. §102, which is subject to the jurisdiction of the Commission, and which is authorized to provide and is providing services as an ILEC and as an IXC to customers in Buxton, Dayton, Hollis, Limington, Lyman, Saco, Shapleigh, Standish and Waterboro. Saco River is the successor company to Saco River Telegraph and Telephone Company, which was a wholly-owned subsidiary of Rural Cellular Corporation (“RCC”), pursuant to transactions which were approved by the Commission in Saco River Telegraph and Telephone Company, Request for Approval of Affiliated Interest Transaction, Reorganization and

Transfer of Assets from Saco River Telegraph and Telephone Company with Rural Cellular Corporation, Docket No. 2000-541, Approval of Stipulation, Reorganization and Affiliate Transactions; Authority to Provide Service (November 9, 2000). The assets and authorization to serve of Saco River Telegraph and Telephone Company were transferred to Saco River Acquisition Corporation ("SRAC"), which is a wholly-owned subsidiary of PTHI, pursuant to transactions which were approved by the Commission in Saco River Telegraph and Telephone Company, Communications Design, Inc., Saco River Acquisition Corporation, Communications Design Acquisition Corporation and The Pine Tree Telephone and Telegraph Company, Re: Joint Application for Approvals Related to the Sale of Assets of Saco River Telegraph and Telephone Company and Communications Design, Inc. and for Exemption from Approval for Certain Future Reorganizations, Docket No. 2001-351, Order Approving Stipulation, Reorganizations and Authority to Provide Service (August 22, 2001). Subsequent to the transaction, SRAC changed its name to Saco River Telegraph and Telephone Company on October 9, 2001.

3. CRC. As indicated above, CRC is the parent company of Pine Tree and Saco River, as well as their CLEC/IXC affiliates in Maine, CRC Communications of Maine, Inc. and Communications Design Acquisition Corporation, both of which operate under the d/b/a Pine Tree Networks.<sup>1</sup> CRC

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<sup>1</sup> CRC Communications of Maine, Inc., d/b/a Pine Tree Networks is a CLEC and IXC affiliate of the Applicants. Pine Tree Networks was authorized by the Commission to provide service as a CLEC in CRC Communications of Maine, Inc., Petition for Finding of Public Convenience and Necessity to Provide Service as a Facilities Based and Reseller Competitive Local and Interexchange Telephone Utility, Docket No. 2000-141, Order Granting Authority to Provide Facilities-Based and Resold Local Exchange Service; Facilities-Based and Resold Interexchange Intrastate Service; Facilities-Based and Resold Dedicated Services; and Approving Schedule of Rates and Terms and Conditions (July 5, 2000). Communications Design Acquisition Corporation, d/b/a Pine Tree Networks ("CDAC") is a CLEC and IXC affiliate of the Applicants. (Communications Design Acquisition Corporation acquired the assets and authorization to serve of Communications Design, Inc. pursuant to the Commission's Order in Saco River Telegraph and Telephone Company, Communications Design, Inc., Saco River Acquisition Corporation, Communications Design Acquisition Corporation and The Pine Tree Telephone and Telegraph Company, Re: Joint Application for Approvals Related to the Sale of Assets of Saco River Telegraph and Telephone Company and Communications Design, Inc. and for Exemption from Approval for Certain Future Reorganizations, Docket No. 2001-351, Order Approving Stipulation, Reorganizations and Authority to Provide Service (August 22, 2001). By virtue of Section 12 of

holds its interests in Pine Tree, Saco River and CDAC through its wholly owned subsidiary Pine Tree Holdings, Inc. and holds its interest in CRC Communications of Maine, Inc. through its wholly owned subsidiary CRC Communications, Inc. A current organizational chart of the CRC family of companies is attached in Appendix A. As described in the Stipulation in Docket No. 99-381, in addition to debt financing, CRC's present equity financing consists of common stock, which is owned by the individual owners, and "Initial Preferred Stock" or "Voting Security Preferred Stock," as it is called in that Stipulation (this Preferred Stock is also identified as "Series A Convertible Preferred Stock"), 94% of which is owned by Prudential Insurance Company of America ("Prudential") and 6% which is owned by the individual owners.

4. ABRY Partners. ABRY Partners is a private equity investment firm with over \$2 billion of capital under management, dedicated exclusively to the media and communications sectors, including radio and television broadcasters subject to the jurisdiction of the FCC. Through a number of investment partnerships (each, an "ABRY Fund"), ABRY Partners currently manage capital on behalf of more than 100 limited partners, which include Fortune 100 pension funds, university endowments, charitable trusts, leading insurance companies, major commercial banks, and high net worth individuals. The sole general partner of each ABRY Fund is an affiliate of ABRY Partners, and each ABRY Fund has engaged ABRY Partners as the manager of the affairs of that ABRY Fund. As the manager of an ABRY Fund, ABRY Partners exercises management and control over that ABRY Fund and the investments that it makes. The partnership agreement of each ABRY Fund contains language that insulates the limited partners from control over the Fund, and such language complies with FCC rules and policies such that the limited partners of the ABRY Funds are considered by the FCC to be "non-attributable" investors.

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Chapter 280 of the Commission's Rules and the original Orders granting authorization to serve, as CLECs and IXCs, CRC Communications of Maine, Inc. and CDAC are exempted from the approval requirements of Section 708, but they are required to provide notices to the Commission

## **B. Description of the Transactions.**

Pursuant to the contemplated transactions, two ABRY Funds – ABRY Partners IV, L.P. and ABRY Investment Partnership, L.P. (the “Investing ABRY Funds”) -- will acquire economic interests in CRC. ABRY Partners will possess and exercise the control rights associated with these investment interests, as the manager of the Investing ABRY Funds. Among other things, acting in its capacity as the manager of the Investing Funds, ABRY Partners will have the right to designate directors having a majority of the voting power of the directors of CRC.

The Investing ABRY Funds plan to invest up to \$70 million in CRC, thereby acquiring equity securities having economic rights and preferences similar to those of participating preferred stock (i.e., preferred stock that also participates in distributions to holders of common stock), which will be designated as the “Series B LLC Interests.” Upon consummation of this investment, the Investing ABRY Funds will acquire the right to appoint members of CRC’s Board of Directors who will have a majority of the votes that can be cast on matters voted on by CRC’s Board of Directors. This right may be exercised solely by ABRY Partners, in its capacity as the manager of the Investing ABRY Funds. The parties plan to carry out the transactions as follows:

1. CRC will be converted from a corporation into a limited liability company pursuant to the law of the State of Delaware (“CRC LLC”).
2. At the same time, CRC LLC will issue \$32.3 million in Series B LLC Interests, which, as indicated above, will have economic rights and preferences similar to that of participating preferred stock. The Series B LLC Interests will rank senior to all existing and future equity interests of CRC LLC with respect to return of capital and a preference return. The Investing ABRY

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of a reorganization that results in a merger, sale or transfer of a controlling interest of any entity that owns more than 50% of the CLEC or IXC, within 10 days after the transaction.

Funds will initially invest \$20 million in the Series B LLC Interests, and Prudential will invest \$12.3 million in the Series B LLC Interests. Unlike the Series B LLC Interests acquired by the Investing ABRY Funds, the Series B LLC Interests acquired by Prudential would be of a sub-class that does not have voting rights ("Non-Voting Series B LLC Interests"). The \$32.3 million in total proceeds of the issuance of Series B LLC Interests to the Investing ABRY Funds and Prudential will be used to repay the current Bridge Preferred Stock in CRC, and to pay fees and expenses.

3. The Investing ABRY Funds will reserve up to \$50.0 million of additional capital (bringing the total commitment of the Investing ABRY Funds to \$70 million) for additional purchases of Series B LLC Interests on similar terms to fund future acquisitions approved by the Investing ABRY Funds and committed by December 31, 2003, with Prudential having the right to participate in a pro rata share. Any such additional Series B LLC Interests acquired by Prudential will be Non-Voting Series B LLC Interests.

4. The existing Series A Convertible Preferred Stock in CRC (of which 94% is currently owned by Prudential and 6% by the individual owners) and the common stock in CRC (which is currently owned by the individual owners) will be converted into "Series A LLC Interests" in CRC LLC. The Series A LLC Interests will be non-voting interests which will have an economic interest in CRC LLC similar to that of common stock (i.e. the Series A LLC Interests will be subordinate to the Series B LLC Interests with respect to return of capital and a specified annual return). The Series A LLC Interests will not possess any preference, redemption rights or veto rights (other than limited rights to approve interested-party transactions between CRC and its subsidiaries, on the one hand, and ABRY Partners and its affiliates, on the other hand, and to approve certain changes in the documents governing CRC, its securities and its affairs).

5. Contemporaneous with the investment in the Series B LLC Interests, CRC LLC will sell to certain members of Management “Series C LLC Interests” of CRC LLC, representing up to 20% of the fully diluted interests of CRC LLC outstanding.<sup>2</sup> The Series C LLC Interests will have no voting rights, will be subject to a vesting schedule and will participate in the distribution of earnings of CRC LLC in accordance with an agreed-upon formula.<sup>3</sup>

6. CRC LLC will be governed by a Board of Directors comprised of: (i) Harry Bennett, who will be a member of the Board of Directors for as long as he is the Chief Executive Officer of the Company; (ii) one Management Director appointed by Management owning a majority of the Series C LLC Interest Shares held by all Management who are then employees of CRC LLC, who has been initially designated to be Mr. Robert Ranalli; (iii) one member called the “Members Director” to be appointed by the mutual agreement of the members of the Board, who has been initially designated to be William Ogden, and (iv) three members to be appointed by the Investing ABRY Funds (the “ABRY Directors”). In addition, Prudential will have the right to designate one member of the Board of Directors, which right Prudential has informed CRC it will not exercise at the outset. Each ABRY Director will have two votes on all matters to be voted on by the board, and each other director will have one vote.<sup>4</sup>

7. CRC LLC is seeking approval in this docket to create a new subsidiary (called “Management Company” for purposes of this Stipulation), which will provide management services to Pine Tree and Saco River similar

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<sup>2</sup> The term “fully diluted” refers to the circumstance in which all of the Series B LLC Interests referenced in Paragraph 2, above, and Series A LLC Interests referenced in Paragraph 4, above, have been issued, and all of the Series C LLC Interests have been fully vested.

<sup>3</sup> The “vesting schedule” will provide for the vesting of the Management owners’ interests in the Series C LLC Interests pursuant to a schedule by which 100% of the shares will be fully vested at the end of five years.

<sup>4</sup> The specific composition of the Board has changed in some respects since the Application was filed, but the level of control of ABRY Partners has not decreased.

to the services which are currently being provided by CRC. The services will be provided pursuant to the Standard Support Services Agreement, which was intended by the Parties to be approved pursuant to Section 2(B)(b)(A) of the Stipulation approved by the Commission in Docket No. 2001-351, for use between Pine Tree and its affiliated interests and between Saco River and its affiliated interests (including between Pine Tree and Saco River). It now appears that the Standard Support Services Agreement was not attached to the Stipulation in Docket No. 2001-351. A copy is attached to this Stipulation as Appendix D.

8. At the conclusion of the transactions described above (with the exception of paragraph 3), ownership of CRC LLC will be in the approximate percentages:

Series B	54%
Series A	26%
Series C	<u>20%</u>
	100%

A pro-forma organizational chart of the CRC family of companies after completion of the transactions is attached as Appendix B.

**C. DESCRIPTION OF THE REQUIRED REGULATORY APPROVALS AND AGREED-UPON APPROVALS AND EXEMPTIONS**

The Stipulation approved by the Commission in Docket No. 99-381 granted Pine Tree a general exemption from Section 708 regarding transactions affecting affiliates of Pine Tree, provided that certain “restructurings” of Pine Tree or CRC would be subject to the approval requirements of Section 708. (See generally Section III(D) of the Stipulation.) The same exemption and terms and conditions requirements have been made applicable to Saco River in Docket No. 2001-351. According to the Stipulation, the following restructurings of CRC necessitate Pine Tree and

Saco River to obtain the approval of the Commission under the Reorganization Statute, 35-A M.R.S.A. §708:

A “restructuring” of CRC means the creation of an affiliated interest of CRC or the consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination of CRC, accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of more than ten percent (10%) of CRC’s common stock, in a single transaction or a related set of transactions, to one entity or to a group of entities that are affiliated with each other. For purposes of paragraph 2(d), a restructuring of CRC shall also include (i) the conversion of an amount of Voting Security Preferred Stock of CRC (as defined below) to ten percent (10%) or more (after conversion) of the Common Stock of CRC, (ii) the transfer of fifty percent (50%) or more of the Voting Security Preferred Stock in CRC or the (iii) acquisition of ten percent (10%) or more of the Voting Security Preferred Stock in CRC, in each case, in one or more transactions, by one person or entity or by a group of persons or entities that are affiliated with each other. For these purposes, “Voting Security Preferred Stock” shall mean the Initial Preferred Stock [a/k/a the Series A Convertible Preferred Stock] and any other preferred stock issued by CRC which, by ownership or pursuant to a Stockholders Agreement, has substantially the same rights of approval as possessed by Prudential under the Stockholders Agreement as described on pages 4 and 5 of the Stipulation.

With the above requirements in mind, the Parties agree that the following approvals are required with regard to the contemplated transactions and that the approvals and exemptions described herein should be granted:

1. Approvals Regarding Series B LLC Interests. The Series B LLC Interests, which will be owned by the Investing ABRY Funds and Prudential, will have certain economic rights regarding return on and of capital, which are similar to the economic rights of participating preferred stock. As noted above, the owners of the Series B LLC Interests (i.e. the Investing ABRY Funds and Prudential) will not have direct management control over CRC LLC. Rather, the Investing ABRY Funds will assign their control rights associated with their

investment interests to ABRY Partners, which will exercise control through its power to appoint (on behalf of the Investing ABRY Funds) members of the Board of Directors who have majority voting power. Therefore, the Parties believe that neither the limited partners of the Investing ABRY Funds (as indirect owners of the Series B LLC Interests held by the Investing ABRY Funds) nor Prudential (as a holder of Non-Voting Series B LLC Interests) would be affiliated interests of Pine Tree and Saco River, because they would not own a “voting security” in CRC LLC, as defined by 35-A M.R.S.A. §707(1)(C). Also, for this reason the acquisition of the Series B LLC Interests would not constitute a reorganization under 35-A M.R.S.A. §708. However, the Parties agree that as a result of the transactions and their ability to appoint Directors of CRC LLC that ABRY Partners will become an affiliated interest of Pine Tree and Saco River and that consequently these transactions will constitute a “reorganization” because they will result in voting control of CRC LLC being vested in ABRY Partners. Accordingly, the Parties agree that the Applicants must obtain approval of the Commission of the reorganization which occurs by virtue of ABRY Partners becoming an affiliated interest of Pine Tree and Saco River. The Parties further agree that if the Investing ABRY Funds or Prudential acquire additional Series B LLC Interests as described in Section II(B)(3), above, such additional acquisitions shall not constitute a reorganization which requires the approval of the Commission, provided that the acquisition does not result in a change of control of CRC.

2. Approvals Related to Series A LLC Interests. As indicated above, the Series A LLC Interests in CRC LLC will act like common stock in economic terms, but not possess voting rights, i.e. the Series A LLC Interests would be in the nature of “non-voting common stock.” Therefore, the Parties agree that the Series A LLC Interests would not constitute a “voting security” as defined in 35-A M.R.S.A. §708(1)(B). Accordingly, the Parties agree that the issuance or acquisition of the Series A LLC Interests would not make an owner of the Series A LLC Interests an affiliated interest or require approval

under 35-A M.R.S.A. §708. However, the Parties agree that the termination of Prudential's ownership of the Series A Convertible Preferred Stock (i.e. Voting Security Preferred Stock) in CRC would constitute a restructuring which requires approval under the Stipulation in Docket No. 99-381. Accordingly, the Parties agree that the Applicants must obtain approval of the reorganization which occurs by virtue of the termination of Prudential's ownership interest in Series A Convertible Preferred Stock.

3. Series C LLC Interests. The Series C LLC Interests in CRC LLC will have certain economic rights to participate in the earnings of CRC LLC, but will not have voting rights, i.e. the Series C LLC Interests will act like traditional non-voting common stock (albeit, with limited participation in profits). The Parties agree that the Series C LLC Interests do not constitute a "voting security" as defined in 35-A M.R.S.A. §707(1)(C), and, therefore the issuance or acquisition of the Series C LLC Interests would not make an owner of the Series C LLC Interests an affiliated interest or require approval under 35-A M.R.S.A. §708.

4. LLC Conversion. The Parties agree to treat the conversion of CRC from a corporation to a limited liability company as a reorganization which requires the Commission's approval.

5. Management Company. The exemption from the Reorganization statute established in the Pine Tree acquisition case in Docket No. 99-381 did not apply to "a restructuring resulting in the creation of an affiliated interest of Pine Tree where it is intended that the affiliate will . . . enter into a contract or arrangement to furnish goods to be used by Pine Tree . . ." The exemption provisions in Docket No. 99-381 were made applicable to Saco River in Docket No. 2001-351, in which the Commission approved the acquisition of Saco River by CRC (subject to certain conditions), as provided in Section 2(C)(2) of the Stipulation in Docket No. 2001-351. In the earlier Stipulation

regarding the acquisition of Saco River by RCC, the Commission had granted Saco River a similar exemption, but which did not apply to the creation of an affiliated interest which would furnish “goods or services” to Saco River. See Section B(3) of Stipulation approved in Docket No. 2000-541. The Parties agree to treat the creation of Management Company as not being included within the currently effective exemption from the Reorganization statute. The Parties agree that the Applicants must obtain the Commission’s approval of the reorganization which results in the creation of Management Company, pursuant to 35-A M.R.S.A. §708.

6. Support Services Agreement. As noted above, Management Company, will provide services to Pine Tree and Saco River, which are currently provided by CRC, pursuant to the Standard Support Services Agreement for Pine Tree and Saco River which was referenced in Section 2(B)(6)(A) of the Stipulation approved by the Commission in Docket No. 2001-351, but was not attached to that Stipulation. A copy of the Standard Support Services Agreement is attached to this Stipulation as Appendix D. The Parties agree that because the services will be provided pursuant to this Standard Support Services Agreement, which has been previously approved for use between Pine Tree and Saco River and their affiliated interests, no further approval under 35-A M.R.S.A. §707 is required to be obtained for services which will be provided pursuant to the Standard Support Services Agreement in Appendix D.

7. Competitive Affiliates. As noted in footnote 1, above, the competitive CLEC/IXC affiliates of Pine Tree and Saco River, i.e. CRC Communications of Maine, Inc. and Communications Design Acquisition Corporation, did not themselves need to obtain approval under Section 708. Nevertheless, Pine Tree and Saco River may have been required to obtain approval for the creation of CRC Communications of Maine, Inc. and Communications Design Acquisition Corporation under Section 708. The

creation of Communications Design Acquisition Corporation was approved by the Commission in Docket No. 2001-351, in which the Commission's Order approved a Stipulation which provided for the approval of the formation of Communications Design Acquisition Corporation. (See Section 1(B)(2)(A)&(B) of Stipulation.) However, the Parties have not found record evidence that the creation of CRC Communications of Maine, Inc. has been the subject of Section 708 approval. Assuming that such approval is required (see footnote 3 in Stipulation in Docket No. 2001-351) and that it has not been previously granted, the Parties recommend that the Commission grant such approval in this proceeding.

8. Exemption From Reorganization Statute. The Parties recognize that upon consummation of the transactions described herein, the "Voting Security Preferred Stock" in CRC (which is defined in Docket No. 99-381, and which is presently owned by Prudential and the individual owners) will cease to exist. The Parties agree that the exemption from the Reorganization statute currently in effect for Pine Tree and Saco River as set forth in the Stipulation approved in Docket No. 99-381, shall be modified, as set forth in Section III(C) of this Stipulation, to reflect this change and other changes described herein. The Parties further agree that the modifications reflected in Section III(C) should also include clarification that the indirect ownership of the Series B LLC Interests by the limited and general partners in the Investing ABRY Funds, and ownership by Prudential of the Non-Voting Series B LLC Interests, if any, do not constitute the ownership of a voting security, which may give rise to an affiliated interest relationship and the need for approvals under the Reorganization statute and the Affiliated Interest Statute. Similarly, the Parties agree that the ownership of Series A LLC Interests and Series C LLC Interests would not give rise to an affiliated interest relationship and the need for approvals under these statutes. As noted above, the Parties agree that ABRY Partners would be regarded as an affiliated interest of Pine Tree and Saco River. However, the Parties also agree that an exemption from the

Reorganization Statute should be granted with regard to ABRY Partners so that approval of the Commission would be required only in the case of restructurings which resulted in a change in ABRY Partners' control over appointment of a majority in voting power of the CRC LLC Board, a change in the majority ownership or control of ABRY Partners itself, or the creation or acquisition of a subsidiary of ABRY Partners which would be engaged in regulated activities in Maine or would intended to provide goods or services to Pine Tree or Saco River (with the exemption of goods and services of a routine nature). The Parties also agree that the modified exemption from the Reorganization Statute should also include the further revisions referenced in Section 2(C)(2) of the Stipulation approved in Docket No. 2001-351.

### **III. APPROVALS**

The Parties agree that the Commission find that the above-described reorganizations and restructurings are consistent with the interests of the Applicants' ratepayers and investors and that neither ratepayers nor investors are adversely affected by the reorganizations and restructurings. The Parties recommend that the Commission grant the following approvals and exemptions, and agree that the Commission's approval of this Stipulation shall constitute the granting of such approvals and exemptions:

A. Approvals Under Reorganization Statute: The Parties agree that the Commission's approval of this Stipulation shall constitute approval under 35-A M.R.S.A. §708 of the reorganizations resulting from the transactions described herein, including the following:

1. The conversion of CRC from a corporation to a limited liability company (i.e. CRC LLC);
2. The termination of Prudential's ownership of Series A Convertible Preferred Stock (i.e. Voting Security Preferred Stock) in CRC;

3. The acquisition of a controlling voting interest in CRC LLC by ABRY Partners, which will be considered to cause ABRY Partners to be an affiliated interest of Pine Tree and Saco River;
4. The creation of Management Company as a wholly-owned subsidiary of CRC, which will provide services to Pine Tree and Saco River pursuant to the Standard Support Services Agreement approved in Docket No. 2001-351, and attached hereto as Appendix D.
5. The creation of CRC Communications of Maine, Inc., a competitive CLEC/IXC affiliated interest of Pine Tree and Saco River.

B. Exemptions from Affiliated Interest and Reorganization Statutes. The Parties agree that the Commission's approval of this Stipulation shall constitute a finding that the transactions described in this Stipulation do not cause the following entities or their subsidiaries to be affiliated interests of Pine Tree and Saco River, and that, therefore, loans, extensions of credit, contracts and arrangements between such entities or their subsidiaries and Pine Tree and Saco River do not require approval under 35-A M.R.S.A. §707(3), and changes in ownership or control of these entities or their acquisition or transfer of ownership or control in other entities shall not constitute a reorganization under 35-A M.R.S.A. §708:

1. Prudential (owner of Series B LLC Interests and Series A LLC Interests);
2. The Investing ABRY Funds (owners of Series B LLC Interests) and their general and limited partners;
3. The individual owners (owners of Series A LLC Interests);
4. Certain members of Management (owners of Series C LLC Interests).

C. Modified Reorganization Exemption. The Parties agree that upon consummation of the transactions described herein the exemption from the Reorganization Statute in the Stipulation approved in Docket No. 99-381 shall terminate and be replaced with the following exemption. (Appendix C contains a redlined version of the new exemption which shows the changes from the exemption in Docket No. 99-381.)

An exemption from the approval requirements of the Reorganization Statute (35-A M.R.S.A. §708) shall be granted by the Commission and shall be in effect as follows:

1. Except as provided in Paragraph 2 below, the activities of Pine Tree and Saco River and all entities which presently or in the future are affiliated interests (as defined in 35-A M.R.S.A. § 707) of Pine Tree and Saco River shall be exempt from the requirements of 35-A M.R.S.A. § 708 (and similar successor statutes).

2. The following transactions shall remain subject to the Commission approval requirements of 35-A M.R.S.A. § 708(2):

(a) a reorganization resulting in the creation of an affiliated interest of Pine Tree or Saco River where (i) it is intended that the affiliate will enter into a contract or arrangement to furnish goods or services to be used by Pine Tree or Saco River or (ii) it is intended or expected that the affiliate will provide public utility services in the State of Maine. In the case of a reorganization which results in the creation of an affiliated interest of Pine Tree or Saco River, which at the time of its creation was not intended or expected to be engaged in the activities described in (i) and (ii), above, but which subsequently is intended or expected to engage

in such activities, approval will be requested under 35-A M.R.S.A. §708.

(b) a restructuring as defined in Section 7 below of (i) Pine Tree or Saco River; (ii) CRC LLC, PTHI or any other affiliated interest of Pine Tree or Saco River that is in the ownership chain above Pine Tree or Saco River; or (iii) a subsidiary of Pine Tree or Saco River.

(c) a transaction which results in ABRY Partners no longer having control over the appointment of a majority of the voting power of the CRC LLC Board.

3. The exemption created by Section 1 shall be subject to prospective termination or limitation in whole or in part upon Commission Order issued pursuant to 35-A M.R.S.A. §1321 after notice and hearing to the affected parties as provided therein.

4. The limited exemption created by Section 1 applies only to the requirement of 35-A M.R.S.A. § 708(2) that the Commission approve reorganizations. The exemption does not apply to the approval requirements of 35-A M.R.S.A. § 707(3) that requires Pine Tree and Saco River to obtain Commission approval to extend or receive credit or to make or receive a loan to or from an affiliated interest or to make any contract or arrangement for the furnishing of management, supervision or construction, engineering, accounting, legal, financial or similar services, or to furnish any service or real or personal property other than those enumerated in 35-A M.R.S.A. § 707(3) with any affiliated interest; or to any other provision of Title 35-A. The Commission retains its powers under 35-A M.R.S.A. § 707(2) to inspect books, accounts and records of Pine Tree, Saco River or of an affiliated interest that relate, directly or

indirectly, to transactions between Pine Tree or Saco River and an affiliated interest.

5. Pine Tree and Saco River shall ensure that no restructurings undertaken by Pine Tree or Saco River, by CRC, PTHI or any other affiliated interest of Pine Tree or Saco River that is in the ownership chain above Pine Tree or Saco River or by any of the subsidiaries of either Pine Tree, Saco River or CRC, PTHI or any other affiliated interest of Pine Tree or Saco River that is in the ownership chain above Pine Tree or Saco River, individually or in aggregate, shall materially impair the ability of Pine Tree or Saco River to attract capital on reasonable terms.

6. As a condition of the granting of the exemption in Section 1, CRC and its affiliates shall not take any action pursuant to the exemption that materially impairs the ability of Pine Tree or Saco River to attract capital on reasonable terms.

7(a). For purposes of paragraphs 2(b), a “restructuring” means (i) the creation of an affiliated interest that owns 10% or more of the entity being restructured, (ii) the consolidation, merger, liquidation, dissolution or termination of the entity being restructured, accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of the voting securities of the entity being restructured, in a single transaction or a related set of transactions where the voting securities are acquired by one entity or a group of entities that are affiliated with each other, and (iii) the transfer of ownership or control accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of 10% or more of the voting securities of the entity being restructured, in a single transaction or a related set of transactions where the voting securities are acquired by one entity or a group of entities that are affiliated with each other.

(b) By contrast to a “restructuring”, the “reorganization” of a public utility includes the creation, consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination, direct or indirect in whole or in part, of an affiliated interest as defined in Section 707.

D. Previous Stipulations. The Parties agree that the provisions of the Stipulations previously approved by the Commission in Docket Nos. 99-381 and 2001-351 shall remain in effect, except as expressly modified herein.

E. Notice of Transfer. Within 10 days after consummation of the transactions described herein, the Applicants shall provide notice of the change in control to the Commission on behalf of themselves and CRC Communications of Maine, Inc. and CDAC.

F. Waiver of Appeal. The Parties to this Stipulation waive their rights to request reconsideration pursuant to Section 1004 of the Commission’s Rules of Practice and Procedure (65-407 C.M.R. 110), to appeal pursuant to 35-A M.R.S.A. §1320, or to otherwise seek reconsideration or judicial review of the Commission’s Order approving this Stipulation.

G. Record. The record on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of the Application, all information provided in responses to Staff and Public Advocate information requests, and this Stipulation.

H. Non-Precedential Effect. Except where expressly noted, the Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

I. Stipulation as Integral Document. This Stipulation represents the full agreement among all parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

J. Deadline for Approval. This Stipulation shall terminate unless approved and adopted by the Commission by an Order issued no later than June 4, 2002.

K. Staff Presentation of Stipulation. The Parties to this Stipulation hereby waive any rights that they have under 5 M.R.S.A. §9055 and related Commission Rules to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commission, without the participation of any party, except in the case where a party to this proceeding is opposing this Stipulation.

Signed and Agreed to:

THE PINE TREE TELEPHONE AND  
TELEGRAPH COMPANY

By: \_\_\_\_\_  
Its: \_\_\_\_\_ Date \_\_\_\_\_

SACO RIVER TELEGRAPH & TELEPHONE  
COMPANY

By: \_\_\_\_\_  
Its: \_\_\_\_\_ Date \_\_\_\_\_

OFFICE OF THE PUBLIC ADVOCATE

By: \_\_\_\_\_  
Its: \_\_\_\_\_ Date \_\_\_\_\_

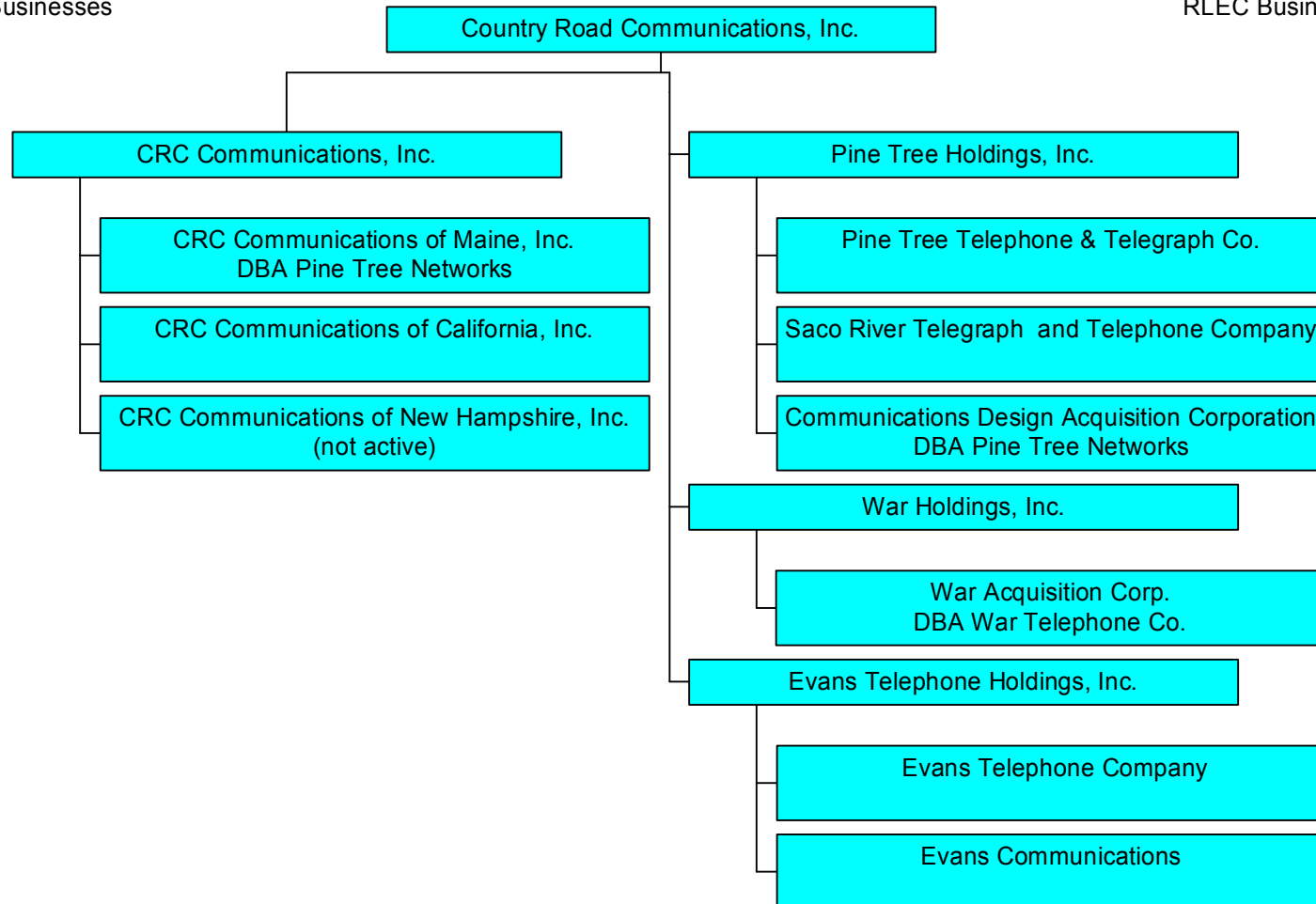
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Appendix A

**Country Road Communications, Inc.**  
(corporate organization)

CLEC Businesses

RLEC Businesses



Appendix B  
**Country Road Communications**  
(proposed corporate organization)

